

**TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE**



**CORRECTED  
FISCAL NOTE**

**SB 3259 - HB 3872**

March 9, 2010

**SUMMARY OF BILL:** Authorizes public charter school teachers to enroll in a state health insurance plan or a plan funded by the charter school. If charter school teachers choose to participate in an insurance plan funded by the local education agency (LEA), the charter school is required to pay their other post employee benefits (OPEB) on an annual basis.

**ESTIMATED FISCAL IMPACT:**

On March 1, 2010, we issued a fiscal note for this bill indicating a fiscal impact of *Decrease State Expenditures – Not Significant and Decrease Local Expenditures – Not Significant*. On March 9, 2010, we received additional information from the Comptroller and the Department of Finance and Administration on the fiscal impact of requiring charter schools to fund OPEB for their teachers. The fiscal impact was in error and has been changed.

**Decrease State Expenditures – Not Significant**

**Decrease Local Expenditures – Exceeds \$1,000,000**

**Assumptions:**

- As drafted, the bill contains a typographical error referencing local education agency group insurance plans authorized in Title 8, Chapter 27, Part 2. The correct citation should be Title 8, Chapter 27, Part 3. It is assumed that this error will be corrected.
- Currently charter school teachers in Davidson County, Hamilton County, and Memphis City Schools participate in a stand-alone LEA group insurance plan. According to the Department of Finance and Administration, the number of teachers who will switch insurance plans as a result of this bill is estimated to be not significant enough to impact the calculation of the state insurance payments.
- Charter school teachers will stay on their current insurance plan. Any decrease in state expenditures is estimated to be not significant.
- No impact on the BEP formula.
- LEAs currently fund OPEB. Under this bill, the LEA would not be required to fund these benefits and the burden of full payment will shift to the charter school. The money to pay for these benefits will come from the charter school.
- According to the Department of Education, there are approximately 120 charter school teachers in Memphis. These teachers' OPEB benefits are approximately \$9,300 per employee. Memphis will experience a decrease in local expenditures of approximately \$1,116,000 ( $\$9,300 \times 120 = \$1,116,000$ ).

- The exact impact on other LEAs affected by this bill is unknown. The total decrease in local expenditures is estimated to exceed \$1,000,000.
- Charter schools may have to pre-fund their OPEB requirements since in subsequent years the charter may expire.

**CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read "James W. White". The signature is fluid and cursive, with the first name "James" written in a more stylized, connected manner to the middle and last names.

James W. White, Executive Director

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